improvement

productivity

creativity

healthy business ethics

saving jobs

ANNUAL REPORT
2012 •• 2013

productivity sa

Inspiring a Competitive South Africa

Contents

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

TRADE NAME:	PRODUCTIVITY SA
PHYSICAL ADDRESS:	CNR NEW AND SIXTH ROADS INTERNATIONAL BUSINESS GATEWAY MIDRAND
POSTAL ADDRESS:	PRIVATE BAG 235 MIDRAND 1685
TELEPHONE NUMBER/S:	011 848 5300
FAX NUMBER:	011 848 5555
EMAIL ADDRESS:	info@productivitysa.co.za
WEBSITE ADDRESS:	www.productivitysa.co.za
EXTERNAL AUDITORS:	NEXIA SAB&T
BANKERS:	NEDBANK
SECRETARIAT	Ms BARBARA TIMOTHY

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
MEC	Member of Executive Council
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management

3. STRATEGIC OVERVIEW

3.1. Vision

To lead and inspire a competitive and productive South Africa.

3.2. Mission

To improve productivity by advising, implementing, monitoring and evaluating solutions aimed at South Africa's competitiveness

3.3. Values

The entity's values are as follows:

1. Service excellence through the implementation of relevant solutions
2. Market leadership through creative and innovative solutions
3. Working together as a team to achieve common goals
4. Partner with stakeholders pursuing solutions to South Africa's productivity challenge
5. Honesty, integrity and professionalism are the cornerstone of all our actions

3.4. Strategic outcome orientated goals

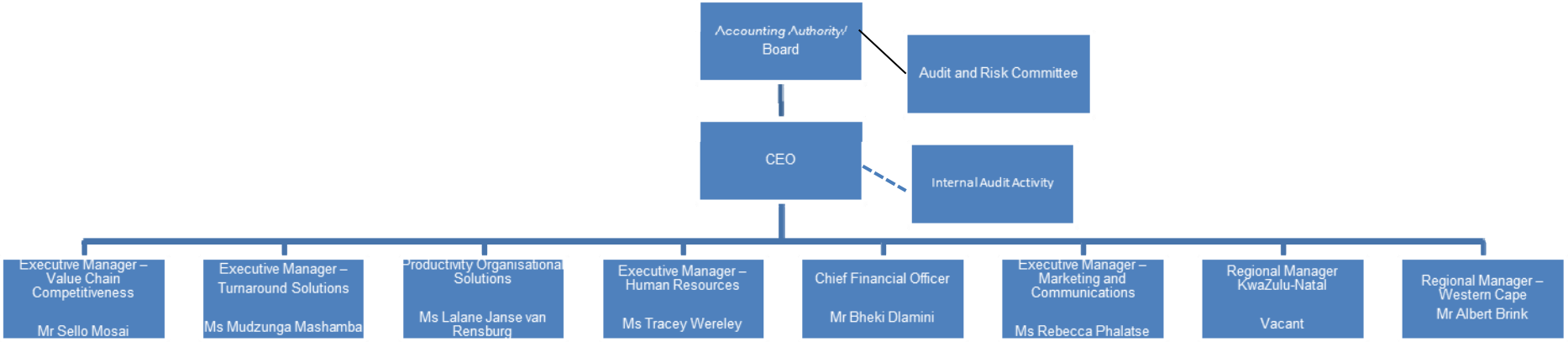
The entity's strategic focus areas are as follows:

- Improve tools and Increase responsiveness
- Talent Management
- Develop and secure knowledge
- Demonstrate impact
- Growth and sustainability
- Stakeholder management

4. LEGISLATIVE AND OTHER MANDATES

Productivity SA is a schedule 3A Public Entity in terms of the PFMA and is mandated by government, labour and business to improve productivity and thus contribute to South Africa's socioeconomic development and competitiveness. It aims to improve the productive capacity of the economy through interventions that encourage social dialogue and collaboration between partners. Key priorities include promoting productivity knowledge and awareness, skills development, accelerating productivity enhancement, productivity interventions within the non-formal economy, industry sector collaborations and strategies, and turnaround solutions for companies.

5. ORGANISATIONAL STRUCTURE



6. FOREWORD BY THE CHAIRPERSON

Introduction:

This report comes in the backdrop of the release of the *World Competitiveness Yearbook (WCY) 2013*. The *WCY 2013* is published by Switzerland's Institute of Management Development (IMD). In this year 's report, South Africa dropped three places from its previous ranking of **50** in 2012 to **53** in 2013.

The yearbook rated the ability of 60 industrialised and emerging economies 'to create and maintain an environment that sustains the competitiveness of enterprises'. The *WCY* ranking is an annual report on the competitiveness of selected countries and is recognised internationally as the leading survey of competitiveness between nations. As a Schedule 3A entity tasked with the promotion of South Africa's competitiveness and productivity, the results are undoubtedly a cause of concern for Productivity SA.

Strategic Overview

In the year under review Productivity SA sought to fulfil its mandate which is primarily driven by the need to facilitate the growth of productivity within South African enterprise. Productivity SA utilises three key programmes to attain its mandate and these are namely Turnaround Solutions (TS), Workplace Challenge (WPC) and Productivity Organisational Solutions (POS).

The TS programme aims to provide technical assistance to different organisations and companies to increase productivity, profitability and service, as well as to save and retain the current jobs.

WPC is a 24 month programme that aims to add value to the South African economy. The WPC actively encourages and supports change in the workplace to improve company performance, productivity and job creation.

The POS programme focuses primarily on the development and training of Small, Medium and Micro Enterprises (SMMEs). Along the Value Chains and Competitiveness section, the programmes are the core vehicles of carrying out the Productivity SA mandate. The year under review has proved to be far from rosy and the challenges have been massive during this period.

Central to hampering Productivity SA's efforts to spur growth within South African enterprises has been the issue of funding. The current model of funding for the organisation has proved to be challenging and unfortunately it has directly impacted on the ability of programmes to perform optimally.

Strategic Relationships

Arguably the development of SMMEs is a key intervention in the growth of any developing economy. It was thus with a sense of purpose when Productivity SA signed a Memorandum of Understanding (MOU) with the national representative body of co-operatives in South Africa, Sanaco (South African National Apex Co-operative). The three-year MOU for the training of co-operatives paves the way for Productivity SA to train cooperatives on productivity principles.

This strategic partnership provides an opportunity for cooperatives to undergo training on productivity principles. The implementation of productivity principles stands to ensure the development and growth of cooperative enterprises as cooperatives are a vital cog in the creation of jobs in the country.

Our partner in this collaboration, Sanaco, acknowledges that Cooperatives possess significant potential for growth however this potential is limited by the lack of skills within the sector and the MOU can hold the organisation in good stead and ensure that cooperatives attain sustainability.

Another noteworthy partnership that Productivity SA entered into is the partnership with the International Labour Organization (ILO). The ILO is a United Nations agency dealing with labour issues, particularly international labour standards and decent work for all. The collaboration with the ILO also entails providing productivity training tools and mechanisms. Given the status and global nature of the ILO, the collaboration is quite fundamental in ensuring that Productivity SA makes meaningful impact.

Productivity SA also fostered inter-governmental relations and attempted to ensure that government agencies do not operate in silo-mentality by engaging Proudly South African. Proudly South African aims to promote South African companies, products and services, which are helping to create jobs and economic growth the country and Productivity SA easily identifies with the objectives. Thus in the year under review, Productivity SA signed an MOU with Proudly South African and one of the aims of the strategic partnership is to run joint campaigns with Productivity SA to enhance social cohesion and educational programs on the importance of “Buying Local” and supporting businesses.

Continentally, Productivity SA is steadfastly committed to its membership to the Pan African Productivity Association (PAPA) and the African Union’s (AU) Productivity Agenda for Africa. Beyond the continent, Productivity SA is an active observer of the Asian Productivity Organisation (APO). These partnerships remain beneficial to the organisation and provide a platform for member organisations to impart knowledge, skills, competencies and the understanding of productivity concept and the ability to apply some basic productivity improvement tools and techniques for improving business performance.

Challenges faced by Board

It is generally accepted that a happy employee is a productive employee and most often this happiness is derived from the value an employee gets from his/her employer. One of the most contentious areas between employers and employees is the issue of remuneration. Productivity SA is no exception in this regard and one of the key challenges of the board has been in area of salary negotiations. As attested, Productivity SA is faced with a pertinent challenge of the funding model.

The organisation currently works on a tight budget of just over R100-million per financial cycle and this money is allocated in tranches. The organisation as the financials display has not had a smooth ride and consequently the ability for the organisation to perform optimally is limited. It is this one challenge that the board would like to overcome and dialogue with relevant stakeholders could see the organisation yield better returns.

Outlook

Productivity SA aims to fortify its focus on increasing its footprint throughout the country with the ultimate aim being the establishment of regional Productivity SA offices in all the provinces. This is the ideal situation that the organisation would like to find itself in. However the magnanimity of the task is not lost on Productivity SA. The implementation of such a task will require succinct engagement with all key stakeholders and an acknowledgment of the tools required to attain the feat.

Conclusion

Over and above these challenges, the board has had a fair year and this is all due to the support by board members and the tenacity of Productivity SA staff members. I would like to take this opportunity to warmly and sincerely thank all our Productivity SA staff; our Board of Directors; Ms Mildred Oliphant, Minister for Labour; Mr. Nkosinathi Nhleko, Director-General of Labour; and our stakeholders for their continual support during the past year.

I acknowledge and appreciate The Department of Trade and Industry (the dti) for their continued support of Productivity SA projects and I value the vision of Proudly South African and hope our collaboration with them will equate to tangible outcomes. I would like to extend a warm message of appreciation to Unemployment Insurance Fund (UIF). I thus conclude by saying let us continue to work together for the benefit of our country.

Alywn Nel
Chairperson of the Board
25 July 2013

7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

As a schedule 3A Public entity, Productivity SA is dedicated to the development and enhancement of South Africa's productivity, competitiveness and ultimately the general improvement of the quality of life of all South Africans.

During the period under review, Productivity SA heightened its role within the informal sector and Small and medium enterprises (SMMEs). SMMEs stand to play a huge role in expanding the country's Gross Domestic Product (GDP). For instance, in developing countries today, the majority of new jobs are being created by the informal sector including SMMEs. During the 1990s on the African continent, urban informal employment was estimated to absorb about 60% of the urban labour force and generated more than 93% of all new jobs 1990s.

Productivity SA emphasised training of SMMES as training is important in the transfer and development of skills and has a direct impact on productivity and therefore on income. Training also stands to assist individuals who want to start their own businesses to acquire necessary skills within their respective sectors.

During the 2012-2013 financial year over 3800 SMMEs received training from Productivity SA. Although great emphasis was placed on SMMEs during this period, Productivity SA continued to serve on its overall mandate improve productivity through research, analysis, diagnosis and implementation of productivity solutions within South African industry.

Bongani Coka
Chief Executive Officer
25 July 2013

PART B: PERFORMANCE INFORMATION

8. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2013

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indictors and targets as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2013.

Productivity SA performance information for the year ended 31 March 2013 has been examined by the external auditors and their report is presented on page 14.

The performance information of the entity set out on pages 19 to 40 was approved by the board.

Bongani Coka
Chief Executive Officer
25 July 2013

9. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Nexia SAB&T currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to page 65 of the Auditors Report, published as Part E: Financial Information.

10. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

10.1 Service Delivery Environment

The challenges, successes and other factors that might impact on the entity's performance are included in the Chairman's foreword and CEO's overview.

10.2 Organisational environment

There were no changes in the organisational environment during the year.

10.3 Key policy developments and legislative changes

There were no major changes to relevant policies or legislation that may have affected Productivity SA's operations during the period under review or future financial periods.

10.4 Strategic Outcome Oriented Goals

STRATEGIC PRIORITY AREAS

To facilitate the achievement of its mandate, Productivity SA identified 8 Priority Areas as outlined.

Priority 1: **Improve Processes, Tools and Techniques** - This pillar focused on developing a structured 'Productivity SA way of doing things' which become our standard methodology for setting up, executing and signing off improvement interventions.

Productivity SA has identified a technically well developed and sound product – Systems2Win – as a possible solution to address the varying (and sometimes conflicting) preferences of staff members when it comes to which tools/techniques to use under which circumstances. Systems2Win covers the following:

- LEAN Tools and techniques – 14 tools and related templates with video based training is available.
- Value Stream Mapping - 4 tools with related templates and video based training.
- KAIZEN related tools and techniques – 20 tools and related templates with video based training are available.
- Six Sigma Tools – 16 tools and related templates with video based training are available.

Priority 2: **Increase Provincial Footprint** – The main focus in Priority 2 was to increase Productivity SA's provincial footprint in the under-serviced provinces where Productivity SA does not have strong presence i.e. North West, Free State, Limpopo, Eastern Cape, Northern Cape and Mpumalanga.

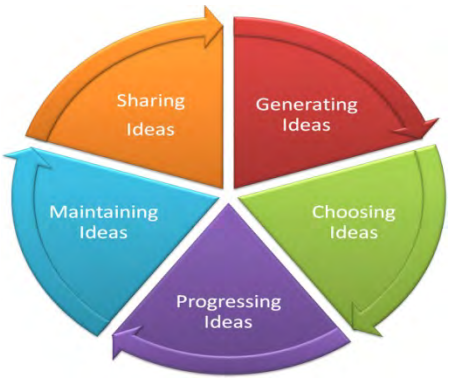
The action plan was put together and the targets were set on improving Government Strategic partners, Business Strategic partners, Workplace Challenge clusters and Turnaround Interventions, Awareness workshops, Regional Productivity Awards and SMME Trainings. In aligning this Priority area with the Business Plan, the period under review resulted in the following interventions in the provinces:

Productivity SA Interventions	Provinces								
	North West	Limpopo	EC	NC	MP	FS	WC	GP	KZN
Workplace Challenge	19	15	37	3	0	0	90	39	120
Turnaround Solutions	0	4	8	2	4	2	5	7	4
Awareness Seminars	5	3	2	2	2	2	2	2	2
Productivity Awards	1	1	1	0	1	0	1	1	1
SMME training	265	269	58	0	51	54	440	2525	222

Priority 3: Develop and Secure Knowledge

Sustainable adoption of SharePoint Document Library Innovation Framework

"Everyone has a view on how they could improve what they do, the trick is to encourage them to contribute their input and put in place a process to action them"



- Generating - Idea generation has to be more systematic if it is to deliver valuable results
- Choosing - The key is to filter good ides by creating efficient sorting processes.
- Progressing (Putting ideas into practice) - An innovative idea is only as good as its implementation. Successful implementation requires consideration of risks
- Maintaining ideas - The key to sustaining innovative initiatives is to monitor and adapt the initiative by using trials and pilots
- Sharing - Sharing ideas with other programs helps codify lessons that have been learnt through the innovation journey and inspire others to innovate.

Priority 4: Talent Management – This Pillar was initiated against the backdrop of the Culture Shift Journey that Productivity SA is already embarking on to bring about organisational development and change. The result of the improved culture can be observed in the improvement in Staff turnover which is sitting at 4% for the 2012/2013 which is the lowest in over 10 years.

Learning and Growth

- Individual development plans (IDP`s) are in the process of being finalised. The training plan will be based on IDP`s, linked to the strategic objectives of the department and the organisation
- WSP 2013/14 and ATR for 2012/13 was submitted to Services Seta in June 2013
  49% of Training was completed during 2012/13
- Level 4 skills audit completed
- Skills audit for remaining levels are in the process of being finalised
- Once finalised will it be loaded onto HR premier (skill matrix per position per department)

Priority 5: Build Relationships with Key Stakeholders - The findings of SWOT analysis outlined stakeholder management as an opportunity for Productivity SA to strengthen its presence in the market. Good stakeholder management will result in retaining and growing our funding streams through Stakeholders briefings and feedback session that will be held on the progress of the programmes overall or those specific to them.

Government departments and business formations were identified as key strategic partners to drive the productivity movement. In pursuit of reaching our objective, Productivity SA has secured strategic relationships with the following: KwaZulu-Natal Department of Economic Development and Tourism, Limpopo Economic Department, Western Cape Economic Department, Western Cape Provincial government, Cape Town Chamber of Business, Nelson Mandela Bay Chamber of Commerce, North West African Chamber of Business, Durban Chamber of Business, International Labour Organisation (ILO), SEDA Regional Offices, South African National Apex Co-operative LTD(SANACO), Soshanguve Manufacturing Technology Demonstration Centre (SMTDC), to mention but a few.

Productivity SA partners with relevant strategic partners to ensure that its mandate of improving productivity within the economy is realised. Partnerships are ensued with the following objectives;

- Partner with like-minded entities to realise their mandate
- Access to markets for Productivity SA

Through partnerships with stakeholders, Productivity SA was able to host the awareness sessions in various provinces. An awareness session includes exhibitions and presentation opportunities. Twenty two awareness sessions were hosted, in partnership with stakeholders such as The South African Chamber of Commerce & Industry(SACCI), Ekurhuleni Municipality, Black Management Forum (BMF) SEDA and the Department of Trade and Industry (the dti) to mention a few.

In achieving the mandate of improving productivity in the economy Productivity SA partners with economic development departments provincially to propel the economy of various provinces. Thus far relationships have been built in the following provinces, Kwa-Zulu Natal, Western Cape, Limpopo.

These departments in the aforementioned provinces are working with Productivity SA in ensuring that businesses in their provinces become productive.

Priority 6: Improve Responsiveness - In our effort to improve customer satisfaction, Productivity SA endeavors to reduce response time to its customer to a minimum. This means that the response time from the generation of leads to the successful implementation of a project is monitored and managed. Reducing the lead time to an absolute minimum will not only improve customer satisfaction but also ensure the optimum utilization of resources.

The introduction of this pillar recorded the following positive results:

- Inter-unit capturing of leads on target
- Establishment of a service provider registration process and database
- Measurement of client satisfaction as per project close out report per unit

Our target is a 48-hour response time which will be measured for improvement on a quarterly basis.

Priority 7: Demonstrate Impact - The SWOT analysis identified *not proving results and impact* as a threat to the organisation and thus finding a Productivity SA way of demonstrating impact will ensure that the company has a well thought out methodology or approach that ensures monitoring and evaluation our impact of Productivity SA from a micro and a macro point of view.

The desired outcome of this priority is to ensure that:

- A consistent way of monitoring and evaluation across all business units
- A clearly defined way of demonstrating impact to key stakeholders of all projects
- A clearly defined way by which Productivity SA is able to evaluate and demonstrate its impact

Priority 8: Revenue Growth and Sustainability - The main aim of this pillar is to establish alternative revenue generating mechanisms in order to double the impact of Productivity SA interventions in the next three years. Productivity SA also engages with key stakeholders (Treasury, Department of Labour, Department of Trade and Industry) to persuade them about the need for increased level of funding of our flagship programs to ensure that Productivity SA is able to reach critical mass with its interventions.

11. PERFORMANCE INFORMATION BY PROGRAMME

11.1 Programme: Value Chain Competitiveness

Sub-Programme: Research

Information and Knowledge generation to influence policy debates and decision making by investors.

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
Research study conducted on the contribution of municipal land in the SA economy	Work in progress	1 Research Report completed	Report completed	None	None
A study on competitiveness indicators for South Africa	1 Research report completed	1 Research Report completed	1 Report completed	None	None
Report on the municipal land audits	Work in progress	1 Research Report completed	1 Research Report completed	None	None
Number of Provincial seminars conducted on research reports	9 seminars run in regions	9 seminars run in regions	5 seminars run in regions	4	Resource limitations
Updated report on the impact of municipal programmes on SMMEs in relation to productivity and jobs produced	N/A – The indicator did not exist in the prior year	1 Research Report completed	Report Not completed	100% deviation	Deferred to 2013/14 financial year due to resource constraints
Compile annual Productivity Statistics	N/A – The indicator did not exist in the prior year	1 Productivity Statistics Report completed	Report in progress	100% deviation	Position of Chief Economist recently filled to complete report
A study on public sector productivity and performance and service delivery conducted	Work in progress	1 Research Report completed	Report Not completed	100% deviation	Deferred to 2013/14 financial year due to resource constraints

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
A report with recommendations relating to the best way of managing productivity, performance and remuneration within the branch	Terms of reference finalised	1 Research Report completed	Report In final stage of completion	100% deviation	Resources were channelled to income-generating projects
A benchmarking study to invest and make recommendations on factors driving an Efficient Public Employment, Legislation and Guidelines environment	Terms of reference finalised	1 Research Report completed	Report Not completed	100% deviation	Deferred to 2013/14 financial year due to resource constraints

Sub-Programme: Workplace Challenge

Improvement of the Productivity and Competitiveness of Enterprises
The new focus is to increase the competitiveness and therefore employment in the previously underdeveloped regions of the country

Performance Indicator	Actual Achievement 2011/12	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
Number of companies assisted through workplace challenge programme to become world class and competitive	N/A – The indicator did not exist in the prior year	476	475	1	Lack of availability of some companies
Support Industrial Clusters- No of Cooperatives supported	Project has been handed over to Regional Industrial Development Strategy(RIDS)	Support 80 Co-operatives Support 7 companies in saw milling	80 Co-peratives supported 7 companies supported	None	None
No of enterprises nurtured (for participation in Clusters or User Groups)	235	180	129	51	Although the target was not met, the number of new enterprises that joined the programme exceeded the target of 60.
No. of new enterprises that joined Workplace Challenge	149	60	83	23	Introduction of kaizen project catering for different markets increased demand for Workplace Challenge services
No of capacity building workshops (for Clusters or User Groups)	53	36	67	31	Training workshops increased due to the increase in demand for Workplace Challenge facilities
No of participating projects (i.e. Clusters, User Groups and Model Companies) in orientation and implementation	161	256	257	1	
No of participating Clusters and User Groups participating in the Aftercare programme	396	220	218	2	
No of Change Facilitators trained and coached in world-class competitiveness and BOP	10 Change Facilitators & 2 Interns	15 Change Facilitators & 3 Interns	13 Change Facilitators & 3 Interns	2	This is a scarce skill and it makes it very difficult to attract candidates
Issue Quarterly e-news letters sharing lessons learnt in implementation of International Best Practices	N/A	4 e-news letters	4 e-news letters published	None	None

Performance Indicator	Actual Achievement 2011/12	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
No. research papers published	1 research paper	1 research paper	0	1 research paper	Collection of impact statements has been completed and publication will be done in the annual report
No of success stories	8	Publishing nine success stories, stakeholder videos and technical videos	Nine success stories were published	None	None
No. of experiential training opportunities sourced	84	Source experiential training opportunities for 67 unemployed graduates	69 experiential training opportunities were sourced for unemployed graduates	2	
Develop Monitoring & Evaluation System	N/A	Develop M& E System	M& E System has been developed	None	None

Programme / Sub-programme: Knowledge Management

Performance Indicator	Actual Achievement 2011/12	Planned Target 2012/2013	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement 2012/13	Comment on deviations
SharePoint for document and content management	Not achieved	To finalise SharePoint for document and content management	Achieved	None	None
Audit report of existing Information and Knowledge	Service Provider selected	Utilise report for Institutionalising and securing knowledge	Report completed	None	None
Identify and document processes tools and techniques	N/A	Preparation for QMS internal audit	Quality Management System (QMS) plan has been developed	None	None
Develop the Norms and Standards Report for – Milestone 2	N/A	Completion of Milestone 2	Report - Milestone 2 of the Norms and Standard Project	100% deviation	Report completed but still waiting for feedback from UIF
Institutionalising Knowledge by securing knowledge	1st stage of the application for 28 Trademarks	Registration of 28 trademarks	Application of Trademark	100% deviation	Submission of trademark applications to DTI had some glitches that are being attended to
Institutionalising Knowledge by generation knowledge	Developed Project Charter	Formulation of COP – in line with knowledge generation	Developing products for Productivity SA	100% deviation	COP members have been identified and notified.

11.2 Productivity organisational Solutions

Productivity Organisational Solution is an assessment and productivity training program that gives individuals the right attitude, knowledge and skill capacity to become a more competent asset to their organisation. It is also a short term intervention program for productivity projects**.**

OVERALL OBJECTIVE OF THE DIVISION FOR YEAR

The objectives of Productivity Organisational Solutions' Division are:

- To provide productivity training to intermediaries such as Educators, Skills Development Facilitators (SDFs) and ETD service providers to leverage our reach to organisations and communities
- To conduct direct training for managers, workers and emerging entrepreneurs in order to foster continuous performance improvement in their workplaces
- To implement productivity improvement projects in government department to improve efficiency and productivity
- To achieve full accreditation and Education Training Quality Assurance (ETQA) status for accreditation of service providers linked to Productivity SA
- To develop assessment methodologies and instruments to establish performance levels of organisations, identify constraints that hamper growth and performance and assist with the compilation of action plans and or work plans to resolve the identified constraints.

Strategic objectives, performance indicators planned targets and actual achievements

POS					
Strategic objectives	**Actual Achievement 2011/2012**	**Planned Target 2012/13**	**Actual Achievement 2012/13**	**Deviation from planned target to Actual Achievement for 2013/2014**	**Comment on deviations**
Conduct training for ETD's	679	800	647	153	The 2012/2013 target was not met although 81% of target was achieved. Training had unforeseen interruptions due to union activity.
Conduct training for SMME's	3791	4000	3884	116	The 2012/2013 target was not met although 97% of the target was achieved. It is significant to note that 2289 of the 3884 SMME's participated in more than one programme.
Conduct training for Workers	751	650	612	38	The 2012/2013 target was not met although 94% of this target was achieved.

Strategic objectives	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
Conduct training for SDF's	64	350	212	138	The 2012/2013 target was not although 61% of it was achieved. Although Productivity SA holds the necessary MOU's with the relevant SETA's – it has become very difficult to access Skill Development Facilitators.
Conduct training for Government Managers	116	130	152	22	The 2012/2013 target for this KPI was exceeded.

Strategy to overcome areas of under performance

As a division within Productivity SA – Productivity Organisational Solutions is only underperforming in one area, listed as the training of Skills Development Facilitators. It has been a very difficult to achieve, Productivity SA has engaged most of the SETA's in South Africa and has secured relationships with some of them.

Productivity SA will embark on a public private programme to in 2013/2014 to ensure that the new target of 450 Skills Development Facilitators is achieved in the new financial year.

Changes to planned targets

There are no changes to the planned targets for the division.

11.3 Turnaround Solutions

The Declaration of the Presidential Jobs summit (October, 1998) outlined a Turnaround Solutions Programme that aims, to prevent job losses or a decline in employment. Our vision is 'To save jobs and create conditions conducive for job retention and creation.' It also seeks to inspire enterprises to be more proactive about issues relating to job retention through the proactive solutions of the programme.

The specific aims of the Programme are to:

- Avoid and prevent job losses;
- Ensure proactive and sustainable productivity solutions for enterprises are implemented for job retention.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic objectives	Actual Achievement 2011/12	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
(Objective 1) Contribute to preventing job losses	36	50	36	14	Funding agreement between Prod.SA and the UIF was only concluded in Aug 2012 and funding for the financial year 2012/13 was only transferred in Nov 2012 – TAS only had four months to complete the work.
(Objective 2) Turnaround interventions developed to prevent job losses	21	50	9	41	Funding agreement between Prod.SA and the UIF was only concluded in Aug 2012 and funding for the financial year 2012/13 was only transferred in Nov 2012 – TAS process is stage stringent, from acquisition to assessment to training etc before a turnaround strategy is developed so the timing before the financial year end was not sufficient for due process to be completed
(Objective 3) Marketing and Promotions	N/A – target was not existent in prior year	2	2	2	Reached target of campaigning for new clients and advertising for service providers.

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2013/13	Actual Achievement 2012/2013	Deviations from planned target to Actual Achievement for 2012/13	Comment on deviations
Nurturing of new clients	36	50	36	8	With the 2012/13 funding only received in November 2012 ,there was insufficient time to increase new acquisitions before financial year end– but these will be reached by August 2013
Financial assessment	74	50	24	26	Assessment centre service are not being funded by UIF and thus slows down the process of assessing new TAS clients as the assessment centre within Prod.SA prioritizes assignments which they can bill for.
Establish Future Forums	28	50	24	26	With the 2012/13 funding only received in November 2012, delays in acquisitions cause delays in the establishment of future forums as the processes directly affect the next process– but these will be reached by August 2013
Productivity capacitation (1 day)	0	50	22	28	Capacitation/training service is not being funded by the funder -UIF and thus slows down the process of clients receiving training. So, the training centre prioritizes assignments which they can bill for.

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2013/13	Actual Achievement 2012/2013	Deviations from planned target to Actual Achievement for 2012/13	Comment on deviations
Productivity capacitation (3 days)	0	30	10	20	Capacitation/training service is not being funded by the funder - UIF and thus slows down the process of clients receiving training. So, the training centre prioritizes assignments which they can bill for.
Develop Turnaround strategies	21	50	9	41	With the 2012/13 funding only received in November 2012, delays in acquisitions cause delays in the development of turnaround strategies for participating clients as the stages directly affect the next– but these will be reached by August 2013. No Cost recovery/programme management fee paid to Productivity SA for availing infrastructure to implement the programme further hinders TAS to develop turnaround strategies

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2013/13	Actual Achievement 2012/2013	Deviations from planned target to Actual Achievement for 2012/13	Comment on deviations
Implementation of TA	12	50	4	46	No Cost recovery/programme management fee paid to Productivity SA for availing infrastructure to implement the programme which further hinders TAS to develop turnaround strategies as the stages directly affect the next– but these will be reached by August 2013 if the cost recovery aspect is resolved with the funder.
Close-out reports at the end of the turnaround implementation	12	50	0	50	With the 2012/13 funding only received in November 2012, delays in acquisitions cause delays in the implementing the actual turnaround strategies which further delays the closing of completed turnarounds (as the processes directly affect the next process). No Cost recovery/programme management fee paid to Productivity SA for availing infrastructure to implement the programme which further hinders TAS to use internal resources to implement the programmes activities

Performance Indicator	Actual Achievement 2011/2012	Planned Target 2013/13	Actual Achievement 2012/2013	Deviations from planned target to Actual Achievement for 2012/13	Comment on deviations
Jobs saved	10 349	4000	3886	114	The timing of the funding of the programme in Nov 2012/13 (only 4 months to end of financial year) was insufficient to achieve the annual targets needing 12 months.

Productivity SA's strategic objectives include the "turning-around-of-companies" and this programme has saved 3886 jobs by the end of the 2012/13 financial year end.

The Turnaround Solutions (TAS) programme received funding for the financial year end 2012/13 in November 2012 giving very limited time to complete work as per the usual programme activities detailed on the TAS process flow, which was a significant cause for 80% of the deviations. However, the funding agreement between Productivity SA and the UIF bore a 'paralysis' and the slowing down of specific activities which are ordinarily implemented by Productivity SA personnel, of which the funding agreement restricts Productivity SA using its own personnel to do work for the programme and recover costs related to that service rendered.

Strategy to overcome areas of under performance

Under performance of the programme will be rectified by an addendum to the current TAS funding agreement between Productivity SA and the UIF, which is already been tabled at the relevant platforms.

Changes to planned targets

In the year 2012/13 (R36 million) the annual targets (130 clients) for the programme were adjusted due to funding only been transferred in November and thus UIF transferred a proportionate tranche (R26.5 million) to the 4 months left of the financial year 2012/13 (50 clients).

11.4 PRODUCTIVITY AWARENESS DRIVE

Productivity awareness drive purpose is to communicate productivity concepts to the broad economy. The broad economy encompasses social partners such as business, labour, government and civil society. The awareness creation of these concepts as well as the practise of productivity mind change in organisations and individual's lifestyle will yield positive results to issues such as waste elimination, resource utilisation , efficiency and effectiveness, to mention a few.
Strategic objectives of the productivity awareness drive are as follows;

- To inform, educate and lead South Africans in discussions on issues pertaining to Productivity.
- To promote the concept of productivity and competitiveness through the line mediums.
- To build appropriate relationships between Productivity SA and stakeholders in pursuit for greater awareness on the productivity concepts. Avis to change Page layout to landscape.

Performance Indicator	Actual Achievement 2011/2012	Actual Achievement 2012/2013	Planned Target 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
Print and electronic campaign	1	0	1	100% deviation	Campaign to be run in the 2013/14 financial, due to a massive awareness drive ran for the TAS campaign. The campaign had spill over effect on the mother brand.
(Interactive theme) campaigns (households)	1	1	1	None	None
Media articles published	246	225	85	140	Media houses came on board with subsidising the articles thus more were published
Annual Marketing campaigns for Social Plan	SLA signed and implemented	SLA achieved	SLA	None	None
Website revamp and consolidation	Annual update	Annual update	Annual Update	None	None
Productivity information brochure	1	1	1	None	None
Database management	1	0	1	100% deviation	Reviewing the scope of the project and moving the timing to the 2013/14 financial year.
Electronic newsletters published	6	8	12	33.33% deviation	There were not sufficient stories to publish monthly.
Quarterly Productivity magazine	4	4	4	None	None
Annual report	1	1	1	None	None
National Productivity Awards	1	1	1	None	None
Workshops conducted in regions	12	31	12	19	Resource limitations
Regional Productivity Awards	5	7	6	1	Resource limitations

Overview of activities for the year

The awareness drive in the 2012/13 financial year was conducted in the following ways;

- Awareness workshops in various provinces
- Advertising in publications targeted at business, labour and government
- Public relations
- Online advertising
- Regional productivity awards

11.4 HUMAN RESOURCES

The overall HR performance and results during this period are indicated below:

Key Result Area	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned 2012/13	Reasons for deviation from target 2012/13
Establish Talent Management Committee	TMC not in place	TMC in place	Achieved TMC in place	None	None
Define talent management strategy, tools and processes	Not achieved but Draft strategy was formulated	TM strategy, tools and processes in place	Achieved TM strategy, tools and processes in place	None	None
Identify critical skills and behavioural attributes for leaders (audit) planning	Not achieved but phase 1 was completed.	Skills audit and competency framework	Achieved Skills audit and competency framework has been conducted	None	None
Identify employees for assessments	Levels 2/3 were identified	Level 3/4/5	Achieved Identified employees for assessment (23 employees) Level 3: 2 employees Level 4: 12 employees Level 5: 9 employees	None	None
Categorize talent groups	Not achieved	Level 3/4/5	Achieved Categorized the 23 employees into 2 groups	None	None
Generate career maps	Not achieved	Level 3/4/5	Partially achieved In the process of compiling career paths	Career maps incomplete	Limited funding

Key Result Area	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned 2012/13	Reasons for deviation from target 2012/13
List development areas of individuals	Not achieved	Completion of development plans	Achieved Development plans finalised for Group 1 and Group 2 candidates (23) Development plan discussions for Group 1 and Group 2 candidates are currently taking place	None	None
IDP of persons	IDP's were reviewed for current positions but not for TMC purposes	Review and consolidate IDPs	Achieved Individual development plans are reviewed on an ongoing basis	None	None
Establish goal setting process	N/A – The indicator did not exist in the prior year	Level 4 performance contracts in place	Achieved Goal-setting performance contracts accomplished (Level 4)	None	None
System process for assessing performance	Achieved	Align performance management system to business objectives	Achieved Performance reviews conducted as follows: Review period 1 (100%) Review period 2 (93%) Review 3 currently being finalised Performance contracting to commence in new financial year	None	None
Develop performance monitoring skills for managers	N/A – The indicator did not exist in the prior year	Conduct performance management training	Not Achieved Performance Management Training will be conducted in the new financial year	100% deviation	Deferred to 2013/14 financial year due to resource constraints

Key Result Area	Actual Achievement 2011/12	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned 2012/13	Reasons for deviation from target 2012/13
Salary surveys to determine market related remuneration	N/A – The indicator did not exist in the prior year	Improved incentives scheme/recognition scheme	Partially Achieved Reward and Recognition Policy has been drafted. Design of short-term incentive scheme, recognition scheme and pay for performance is currently being reviewed	Partial deviation	Limited funding
Culture survey and interviews to check change conducted to improve culture shift	Not conducted	Annual Culture Survey	The remaining Culture Shift Journey Pillars are still being implemented	Culture shift	On-going implementation over 2 financial years

12 SUMMARY OF FINANCIAL INFORMATION

12.1 Revenue Collection

	2011/2012			2012/2013		
Sources of revenue	**Estimate**	**Actual Amount Transferred/ Collected**	**(Over)/Under Collection**	**Estimate**	**Actual Amount Transferred/ Collected**	**(Over)/Under Collection**
Transfers and subsidies	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Department of Labour (DoL)	34 059	34 059	-	36 545	36 545	0
Department of Labour (DoL) – Additional Contribution towards salaries	-	-	-	505	505	-
Unemployment Insurance Fund (UIF)	56 592	13 674	42 918	39 750	26 500	13 250
Department of Trade and Industry (dti)	8 000	8 000	-	8 200	8 200	-
LEDET	-	220	(220)	-	220	(220)
SSETA	-	1 500	(1 500)	-	1 608	(1 608)
Other income						
Sale of goods and services, interest and other income	11 981	2 613	9 368	2 988	6 674	(3 686)
Total Revenue	**110 632**	**60 066**	**50 566**	**87 988**	**80 252**	**7 736**

Guaranteed funding is from the Department of labour (DoL) and amounts to R36.545m. Productivity SA is funded from three main sources as outlined above. These three sources account for 91% of total revenue with the balance of 10% being made up from other income.
The grants / subsidies have to a large extent been transferred on time via the SLA's agreed with the funders. Funding from UIF was only received in November 2012 as there were challenges with finalising the terms of the Memorandum of Understanding. As is noted above, revenue from UIF was "undercollected". This is due to the fact that the transfer occurred late in the year (Nov-12) thus it was apportioned for a partial year.
The measures were taken during the course of the year to keep on target included engaging the management and Board of the UIF on the severity of under-collection of this transfer.

Productivity SA also generates its own revenue by performing work for other entities and companies. The collection measures on this type of revenue are normally not on track as government entities have lengthy payment processes which negatively impact on the cash flow.
The result of the above negative cash flow is that service providers are sometimes not paid timeously and this also slows down the level of service that can be metered out to client companies eg the turnaround plans and strategies are stalled whist awaiting revenue transfer.

New measures instituted during the course of the year to raise additional revenue include partnering with stakeholders on a cost-sharing initiative as well as maximising on existing relationships and exploiting signed MoU's. To ensure more efficient/effective collection, there is a rigorous follow-up approach that is instituted whereby finance and the internal point of contact work together to facilitate payment.

13 Programme Expenditure

	2011/2012			2012/2013		
Programme Name	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Productivity Organisational Solutions	5 165	2 183	2 982	2 312	8,180	**(5 868)**
Workplace Challenge	5 721	12 350	(6 629)	9 500	15 586	(6 086)
Value Chain Competitiveness	6 593	2 331	4 262	2 974	16,283	(13 309)
Turnaround Solutions	19 057	6 016	13 041	20 364	7 062	13 302
Admin	74 096	50 938	23 158	52 838	31 029	21 809
Total	**110 632**	**73 818**	**36 814**	**87 988**	**78 140**	**9 848**

14 Capital investment, maintenance and asset management plan

- Due to funding limitations, there are no infrastructure projects for the year under review. . Capital investments made were those to maintain / replace the current infrastructure in terms of computer equipment (hardware) and software (renewal of licenses for Accpac and Microsoft).
- Details as to how asset holdings have changed over the period under review, including information on disposals, scrapping and loss due to theft – refer note 2 in the financial statements.
- To comply with the requirements of PFMA and GRAP, measures were taken to ensure that the public entity's asset register remained up-to-date during the period under review. These included maintaining an up to date asset register with asset descriptions, codes for identification purposes and a record of all acquisitions, movements and disposals. Further a physical asset count is performed every quarter. The decisions as to which assets to dispose of and scrap lie with the asset disposal committee. All movements in assets are authorised by a responsible official of Productivity SA.
- Assets comprise mainly of computers, furniture and the motor vehicle. 95% of these are in good condition. Should certain assets be identified as not fit and proper for the entity's usage, they are disposed of and replaced.
- There were no major maintenance projects that have been undertaken during the period under review other than normal service to the motor vehicle and general upkeep of the building through painting.

PART C: GOVERNANCE

15 Corporate Governance

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entity's is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

Productivity SA along with its sister entities that report to DoL, is part of the Portfolio Committee on Labour. The last meeting was held on 17 May 2013. There are no areas of identified risk except that there are limited resources to market, fund and implement Productivity SA programmes to the critical masses as well as increasing our footprint throughout the country.

3. EXECUTIVE AUTHORITY

Productivity SA is an entity that reports to the Department of Labour (DoL). It regularly sends reports to the Minister, who is the executive authority as defined. Such reports include the Annual Performance Plan (APP) and the Strategic plans. For the year under review, the aforementioned reports were submitted as follows:

- Annual Performance Plan – 2013 - 2014
- Strategic business plan - 2013 - 2018

4. THE ACCOUNTING AUTHORITY / BOARD

The Board of Directors' fiduciary duties are outlined in the Public Finance Management Act, No 01 of 1999 (as amended by Act 29 of 1999) (as the accounting authority of the entity). The Board meets at least four (4) times a year. It sets the vision and mission, and is responsible for the overall strategic direction, performance and control of Productivity SA in executing its mandate. The responsibilities of the Board include; approval of business plans, annual budgets, and policies of Productivity SA. It appoints the Chief Executive Officer and determines the remuneration terms and conditions of the employment of the Chief Executive Officer. Establish and dissolve Board Committees and Sub Committees as it may deem necessary due to performance of its duties.

The Board has adopted the Constitution and complies with the requirements thereof, chief of which is the chairing by an independent chairperson, who is not in any way shape or form associated with or employed by Productivity SA.

Composition of the Board

The Board of Directors is made up of the following members appointed by the Minister of Labour for the period of five years:

- The Chairperson;
- Two members nominated by NEDLAC to represent organised **Labour**
- Two members nominated by NEDLAC to represent organised **Business**
- Three members nominated by Minister to represent **Government**

There were no resignations during the year

Name	Designation *(in terms of the Public Entity Board structure)*	Date appointed	Qualifications	Area of Expertise	Board Directorships	Other Committees (e.g: Audit committee)	No. of Meetings attended
Alwyn Nel	Non Executive Chairperson	1 Feb 2010	BCom (Hons), MBA	Strategic Management	Productivity SA	HR and R Committee	7
Noel Mbongwe	Non Executive	1 Dec 2009	Matric	Industrial Relations	Productivity SA	HR and R Committee	6
Jonas Mosia	Non Executive	1 Dec 2009	Bcom Hons), Governance & Politics	Economics and Labour Relations	Productivity SA	Audit and Risk Committee	8
Nico Vermeulen	Non Executive	1 Dec 2009	Degree in Social Science/ BCom (Hons)	Economist and Financial Administration	Productivity SA	Audit and Risk Committee	7
Sam Morotoba	Non Executive	1 Dec 2009	Diploma in Mechanical Engineering	Human Resources Development	Productivity SA	HR and R Committee	3
Noel Sicwebu	Non Executive	1 Dec 2009	Master of Arts and MBA	Strategic Management	Productivity SA	Audit and Risk Committee	8
Loane Sharp	Non Executive	25 Nov 2011	Masters of Commerce	Economist and Labour Statistics	Productivity SA	HR and R Committee	4
Jocelyn Vass	Non Executive	1 Sep 2012	MA (Labour Studies)	Labour Market Analysis	Productivity SA	Audit and Risk Committee	4

Board of Directors in office during the financial year ended 31 March 2013 were:

Board member	17/07/2012	26/09/2012	05/12/2012	29/03/2013
Mr A Nel - Non Executive Chairperson	Attended	Attended	Attended	Attended
Mr S Morotoba	Attended	Did not Attend	Did not attend	Attended
Mr B Coka - Chief Executive Officer	Attended	Attended	Attended	Attended
Mr J Mosia	Attended	Attended	Attended	Attended
Mr N Vermeulen	Attended	Attended	Attended	Attended
Mr N Mbongwe	Did not Attend	Attended	Attended	Attended
Mr X Sicwebu	Attended	Attended	Attended	Attended
Mr L Sharp	Attended	Did not Attend	Attended	Attended
Mr T Mashiane	Resigned	Resigned	Resigned	Resigned
Ms J. Vass (Appointed from 1 Sep 2012)	Not yet appointed	Attended	Attended	Attended

Committees

Audit & Risk Committee	23/05/2012	4/07/2012	5/09/2013	28/02/2013
Mr H. Buthelezi	Attended	Attended	Attended	Did not Attend
Mr N. Vermeulen	Did not Attend	Attended	Attended	Attended
Mr J. Mosia	Attended	Attended	Attended	Attended
Mr N. Sicwebu	Did not Attend	Did not Attend	Attended	Attended
Ms J. Vass	Not yet appointed at the time	Not yet appointed at the time	Not yet appointed at the time	Attended

Human Resource and Remuneration Committee	22/02/2012	06/06/2013	22/08/2013	21/02/2013
Mr N. Mbongwe	Attended	Attended	Attended	Attended
Mr L. Sharp	Did not Attend	Attended	Attended	Did not Attend
Mr S. Morotoba	Attended	Attended	Did not Attend	Attended
Mr A. Nel	Did not Attend	Attended	Attended	Attended

Remuneration of board members

For members who are remunerated, the remuneration of Board members is determined as follows;

- The Board members rates are paid irrespective of meetings lasting the whole day or only for a few hours.
- No fees will be payable should a Board member not attend a scheduled meeting or if a completed document and signed claim form has not been received.
- These fees will also apply in cases where a Board is asked by PRODUCTIVITY SA to officiate at a meeting or function on PRODUCTIVITY SA's behalf

For those members who are not remunerated;

Government representatives are not entitled to any fees or refunds for travel and accommodations costs. The rates will be reviewed annually in line with PRODUCTIVITY SA salary reviews.

Remuneration rates for the Board of PRODUCTIVITY SA Chairperson R2 181 per day

Directors/Alternate/Co-opted Directors
and Deputy-Chairperson Deputy Chairperson R1 319 per day

Name	Remuneration for Attendance	Other allowance	Total
Mr A Nel – Non Executive Chairperson of the Board	R 2181.00	None	R35 986.50
Mr J Mosia Non Executive Board member	R 1319.00	None	R 15 828.00
Mr N Vermeulen Non Executive Board member	R 1319.00	None	R 9 233.00
Mr N Mbongwe Non Executive Board member	R 1319.00	None	R 7914.00
Non Executive Board member	R 1319.00	None	R5 276.00
Mr H. Buthelezi – Independent chairperson for Audit and Risk Committee	R 2181.00	None	R6 543.00
TOTAL			**80 780.00**

RISK MANAGEMENT

Senior management, with the assistance of the outsourced internal audit function, is committed to assessing, on an on-going basis, the major operational and business risks that Productivity SA faces. Risk management plans are drawn up and progress is monitored against these plans continually. The Audit Committee evaluates reports prepared by GRM to identify areas where further management's attention may be required.

Productivity SA has performed the following as required by the Public Finance Management Act, 1999 (as amended):

1. Adopted a risk management policy,
2. Annually conducted a risk assessment; and
3. Implemented a fraud prevention policy and plan.

5. INTERNAL CONTROL

Internal control is evaluated in a combined effort by management, internal audit and external audit.

The findings on internal controls by internal audit and external audit are reported to the Audit and Risk Committee.

For the year under review, GRM carried out the following the following Internal Audit work;

- Reviewed the quarterly Performance information of quarter 1, 2 and 3 (Pre-determined objectives);
- Reviewed Human Resources Management; and
- Reviewed Financial Management and Accounting with specific focus on the Financial discipline.
- Followed-up on the status of IT policies

GRM's findings have been reported to the Audit & Risk Committee and communicated to management, who have adequately addressed them.

While periodic evaluations by management and independent reviews by internal and external auditors identified areas of further improvement management is satisfied that internal controls implemented and relied on continued to provide reasonable assurance regarding financial and performance management and compliance with Productivity SA policies and procures as well as legislation.

6. AUDIT COMMITTEE AND INTERNAL AUDIT

GRM Consulting, which is an outsourced firm responsible for Productivity SA's internal audit function, provides an independent appraisal function that is designed to examine and evaluate the Productivity SA's internal controls. In particular, GRM is charged with examining and evaluating the effectiveness of Productivity SA's operational activities, the attendant business risks and the system of internal, operational and financial controls. Any major weaknesses detected are brought to the attention of the Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action. GRM meets with external auditors on a regular basis and discusses plans and results in respect of the audits carried out during the year

The committee meets periodically with management, external auditors and internal auditors and it also meets separately with external and internal auditors when necessary. The Audit and Risk Committee has a written charter approved by the Board of Directors. The committee does not have any operational or executive responsibilities. Its objectives are:

- Establishing a channel of communication between the Board of Directors, management, external auditors and internal auditors;
- Evaluating whether management creates and maintains an effective control environment to safeguard Productivity SA's assets, and that management demonstrates the necessary respect for the entity's internal control structure;
- Reviewing the scope and outcome of audits. This review includes an assessment of the effectiveness of the annual statutory audit and ensuring that sufficient emphasis is placed on issues which in the opinion of the committee, management or the auditors deserve special attention;
- Ensuring that the Board of Directors makes informed decisions and is aware of the implications of these decisions on accounting policies, practices and disclosure; and
- Safeguarding the Directors' liability by informing the Board of Directors about issues that impact on the business and the status of financial reporting

The table below discloses relevant information on the independent audit committee members

Name	Qualifications	If internal, position in the public entity	Date appointed	No. of Meetings attended
Mr H. Buthelezi	Honours B Compt degree CA(SA)	N/A	1 Oct 2011	3
Mr N. Sicwebu	Master of Arts and MBA	N/A	1 Dec 2009	2
Ms J. Vass	Bachelor of Social Science / MA (Labour Studies)	N/A	1 Sep 2012	1
Mr J Mosia	Bcom Hons), Governance & Politics	N/A	1 Dec 2009	4
Mr N Vermeulen	Degree in Social Science/ BCom (Hons)	N/A	1 Dec 2009	3

There were no resignations during the year.

7. COMPLIANCE WITH LAWS AND REGULATIONS

During the latter part of the previous financial year, Productivity SA commissioned an independent firm of attorneys to evaluate and advise it on the compliance with all relevant legislation that it would be required to abide by. The opinion of the attorneys was that Productivity SA complies with all the relevant legislation which governs it.
The overarching principle of Productivity SA is that it subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders.
State what the public entity has done in order to ensure compliance with regulations.

8. FRAUD AND CORRUPTION

Management has developed a multi-pronged plan towards addressing fraud and corruption. Firstly, the possible risks that could prevent the entity from achieving its objectives were identified along with what could go wrong. From this exercise A fraud and risk checklist was developed to ensure that all bases are covered.
Awareness was created via presentations to staff on a quarterly basis. Staff are aware of the processes and procedures to be followed should they suspect or have evidence that fraud and corruption is taking place. A fraud hotline was sought from Department of Labour as Productivity SA is a small entity to warrant having its own dedicated hotline.
The top 14 risks mentioned above are reported on a quarterly basis at the Audit and Risk Committee. The combination of management efforts, internal audit as well as external audit in creating awareness as well as devising steps to detect and prevent fraud and corruption, is believed to be sufficient to adequately address this subject.

9. MINIMISING CONFLICT OF INTEREST

Brief description on the processes implemented to minimise conflict of interest in supply chain management. Discuss the process followed where conflict of interest has been identified.

Management views conflict of interest in supply management in serious light. To this end the standard contract that Productivity SA would sign with service providers contains a water-tight clause on conflict of interest and provides for possible prosecution should it be found that an employee or a service provider violated the provisions of this clause. Further, productivity SA complies with PFMA on the sourcing of goods and services which prescribe the 3 levels ie quotations, a signed contract and open tender should certain limits be reached.
All employees of the entity have signed the declaration of interest at the time when they joined. It is also a standard item on the agenda of all committee meetings that members declare their interest to avoid conflict.

10. CODE OF CONDUCT

Productivity SA subscribes to a code of ethics and endeavours to act with honesty, responsibility and integrity towards its stakeholders. Should this code be breached, the Productivity SA constitution prescribes that the relevant breach be addressed according to a policy that covers it.

11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Although the entity was observing some health and safety standards, in October 2012, Productivity SA engaged the services of an expert in the establishment of Occupational Health Safety (OHS) practices to formalise the process. The aim was to ensure compliance of Productivity SA, its staff and contractors to the principles of OHS.
The OHS process entails the following:

1. Inspections by means of audits for any physical hazards, hygiene stress factors, environmental concerns and general liability risk issues.
2. Informing all staff of their rights and responsibilities in terms of the OHS and Compensation for Occupational Injuries and Diseases Acts.
3. Establish an OHS Committee.
4. Appoint and coach Health and Safety Representatives.
5. Establish an effective evacuation instruction.

The basis of OHS in productivity SA revolves around five (5) main areas namely; the premises, regulation of the facilities, stacking and storage, fire protection and electrical machinery. These are the main areas whereby audits are conducted for the facilities. On top of that Productivity SA is then audited on the administrative function whereby compliance is measured on reporting and appointment of representatives.

An initial audit indicated a number of low to medium risk items, which were immediately addressed. Based on the initial audit findings the compliance rating was very low due to the administrative structures not being implemented as yet. This administrative process was initiated in October 2012 whereby the management structures and appointment of key Health and Safety Representatives began.

The only outstanding appointment before full compliance can be achieved is of an Incident Investigator. This appointment needs to be briefed and trained on their responsibility before appointment.

Based on legal compliance audits thus far, the summary report findings have improved from 64% in November 2012 to 81% compliance in April 2013. In order for Productivity SA to be fully compliant we would need to achieve a 91% compliance rating.

This has been a remarkable improvement from the time of improvement and Productivity SA expects to be fully complaint by the next audit

12. SOCIAL RESPONSIBILITY

- Expansion of Productivity awards to the Mpumalanga province.
- Expansion of the awards category to Include cooperatives in line with the government strategy.
- Productivity SA in conjunction with the Limpopo Department of Education managed to train more than 400 educators in the province on the Improvement of Productivity in Schools during challenging times in March 2013.

13. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- For the year under review, GRM carried out the following work;
- Reviewed the quarterly Performance information (Pre-determined objectives)
- Reviewed the Internal controls and processes around revenue, payments, fixed assets,, investments, cash and accounting records
- Their findings have been reported to the Audit & Risk Committee and communicated to management, who have adequately addressed them.

The following were areas of concern:

- Performance information policy not being approved
- Lack of a separate unit to address Supply Chain Management as required by legislation

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Mr Humphrey Buthelezi
Chairperson of the Audit Committee
Productivity SA
25 July 2013

PART D: HUMAN RESOURCE MANAGEMENT

16. HUMAN RESOURCES

INTRODUCTION

Overall Objectives of the Department

The department currently makes use of a business partnership model wherein it pro-actively engages with various business programmes in the organisation. The objective of this model is to identify areas for HR interventions in leveraging innovative and world class business solutions to these programmes. This process is driven through Human Resources officers who are actively partnering with the respective programmes under the guidance and leadership of the HR Executive.

The Human Resources Department's strategy map is aligned to the overall organisational strategy. This strategy map is divided into:

- Stakeholder Value
- Stakeholder Outcomes
- People Management Imperatives
- Strategic Human Capital Drivers

From this strategy map, the following HR interventions are key HR priorities for this period:

- Talent Management
- Performance Management
- Learning and Growth
- Leadership
- Employee Wellbeing

The department is in the process of finalising the Culture Shift Journey led by the Culture Shift Journey Champions who are employees sponsored by the CEO and the Executive Management Team.

The department is embarking on a process whereby the organisation proactively takes a keen interest in the well-being of its employees by launching the Employee Wellness Programme during this period.

The Talent Management Committee was also established during this period. It consists of the Executive Management Committee and nominated SAPTU representatives. The objective of this process is to ensure that the organisation is aligned with successors who have the correct skills competencies that are aligned to the organisation's strategic objectives.

- Overview of HR matters at the public entity
- Set HR priorities for the year under review and the impact of these priorities
- Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce
- Employee performance management framework
- Employee wellness programmes

Policy development

- Highlight achievements
- Challenges faced by the public entity
- Future HR plans /goals

1.1 Talent Management

Talent Management has been identified as one of the strategic objectives of the organisation.

The objective of the organisation's Talent Management strategy is to develop a pool of "ready now" skilled and competent potential leaders that will drive the organisation's strategic objectives.

The key components of Productivity SA's Talent Management strategy are as follows:

- Identification of key gaps between the talent in place and the talent required to drive business success
- Gaining a clear understanding of the organisation's current and future business strategies
- Developing a sound talent management plan designed to close the talent gaps. It should also be integrated with strategic and business plans.
- Connection of individual and team goals to organisational goals, and providing clear expectations and feedback to manage performance within this process
- Development of talent to enhance performance in current positions as well as readiness for transition to the next level within the organisation

During this period, we have identified a pool of 23 potential candidates across Senior Management, Line Management and Junior Management levels. Assessments based on identified core business and HR competencies have been conducted with these candidates. Of the initial 23 candidates, 5 candidates were identified as high potential. These candidates will be accelerated for senior level positions within the organisation. Feedback sessions have taken place with candidates to discuss their development plans and training interventions will take place in the new financial year.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

The entity provides the following key information on human resources.

Personnel Cost by programme

The annual total cost to company salaries for both permanent and temporary employees for the year was R 43,586,361 which is split as follows:

Permanent (March 2013)

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Productivity SA (All except WPC and TAS)	55 492	31,897	41%	69	462
Workplace challenge	15 586	3 970	5%	18	221
Turnaround Solutions	7 062	4 123	5%	10	412
Totals	**78 140**	**39 990**	**51%**	**97**	**412**

Temporary (March 2013)

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Productivity SA (All except WPC and TAS)	55 492	1 514	2%	9	168
Workplace challenge	15 586	2 082	3%	75	28
Turnaround Solutions	7 062	0	0	0	0
Totals	**78 140**	**3 596**	**46%**	**84**	**43**

***Consolidated Packages are used to calculate the Annual Salary Cost**

Personnel cost by salary band

Permanent (March 2013)

Level / Band	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 834	17%	7	976
Senior Management	12 666	31%	20	633
Professional qualified	13 568	33%	33	411
Skilled	6 473	16%	27	240
Semi-skilled	1 198	3%	10	120
Unskilled	0	0%	0	0
TOTAL	**40 739**	**100%**	**97**	**420**

Temporary (March 2013)

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	146	5%	1	146
Skilled	187	7%	4	48
Semi-skilled	2 514	88%	79	32
Unskilled	0	0	0	0
TOTAL	**2 847**	**100%**	**84**	34

Training Costs

Permanent

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Productivity SA (All except WPC and TAS)	R 27 281	R 179	0.66%	41	R 4
Workplace challenge	R 7 748	R 188	2.43%	19	R 9
Turnaround Solutions	R 4 272	R 61	1.45%	10	R 6
TOTAL	**R 39 301**	**R 429**	**1.09%**	**70**	**R 6**

Temporary

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Productivity SA (All except WPC and TAS)	R 504	R 6	1.25%	6	R 1
Workplace challenge	R 2 242	R 10	0.43%	2	5
Turnaround Solutions	0	R 0	0%	0	R 0
TOTAL	**R 2 747**	**R 16**	**0.58%**	**8**	**R2**

Employment and vacancies

Permanent

Programme	2012/2013 No. of Employees (April 2012)	2013/2014 Approved Posts (April 2013)	2013/2013 No. of Employees (April 2013)	2013/2014 Vacancies (April 2013)	% of vacancies
Productivity SA (All except WPC and TAS)	69	7	65	6	75%
Workplace challenge	18	4	19	2	25%
Turnaround Solutions	10	0	10	0	0
Totals	**97**	**11**	**94**	**8**	**100%**

Temporary

Programme	2012/2013 No. of Employees (March 2013)	2013/2014 Approved Posts (April 2013)	2013/2013 No. of Employees (April 2013)	2013/2014 Vacancies (April 2013)	% of vacancies
Productivity SA (All except WPC and TAS)	9	12	6	12	80%
Workplace challenge	75	2	64	2	13%
Turnaround Solutions	0	1	0	1	7%
Totals	**84**	**15**	**70**	**15**	**100%**

Permanent

Programme	2012/2013 No. of Employees (March 2013)	2013/2014 Approved Posts (April 2013)	2013/2013 No. of Employees (April 2013)	2013/2014 Vacancies (April 2013)	% of vacancies (April 2013)
Top Management	7	0	7	0	0%
Senior Management	20	3	18	3	33%
Professional qualified	33	8	33	6	67%
Skilled	27	0	27	0	0%
Semi-skilled	10	0	9	0	0%
TOTAL	**97**	**11**	**94**	**9**	**100%**

Temporary

Programme	2012/2013 No. of Employees (April 2012)	2013/2014 Approved Posts (April 2013)	2013/2013 No. of Employees (April 2013)	2013/2014 Vacancies (April 2013)	% of vacancies April 2013)
Top Management	0	0	0	0	
Senior Management	0	0	0	0	
Professional qualified	1	0	0	0	
Skilled	4	0	2	0	
Semi-skilled	79	15	64	15	100%
TOTAL	**84**	**15**	**66**	**15**	**100%**

Employment changes

Permanent

Salary Band	Employment at beginning of period (April 2012)	Appointments	Terminations	Employment at end of the period (March 2013)
Top Management	6	1	0	7
Senior Management	19	1	1	19
Professional qualified	22	4	1	33
Skilled	27	1	0	26
Semi-skilled	8	1	1	9
Total	**82**	**8**	**3**	**94**

Temporary

Salary Band	Employment at beginning of period (April 2012)	Appointments	Terminations	Employment at end of the period (March 2013)
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	8	1	1	0
Skilled	1	3	2	2
Semi-skilled	0	79	11	68
Total	**9**	**83**	**14**	**70**

Reasons for staff leaving

Permanent (April 2012- March 2013)

Reason	Number	% of total no. of staff leaving
Death	1	25%
Resignation	3	75%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
Total	**4**	**100%**

Temporary (April 2012- March 2013)

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	11	79%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	3	21%
Other	-	-
Total	**14**	**100%**

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	-
Final Written warning	-
Dismissal	-

Equity Target and Employment Equity Status

Levels	MALE							
	African		**Coloured**		**Indian**		**White**	
	Current	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	3	0	0	0	0	0	0	0
Senior Management	6	1	0	0	1	0	4	0
Professional qualified	13	2	2	0	0	0	1	0
Skilled	4	0	1	0	0	0	1	0
Semi-skilled	3	0	1	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total Permanent	**29**	**3**	**4**	**0**	**1**	**0**	**6**	**0**
Temporary	34	0	1	0	1	0	0	0
GRAND TOTAL	**63**	**3**	**5**	**0**	**2**	**0**	**6**	**0**

Levels	FEMALE							
	AFRICAN		**COLOURED**		**INDIAN**		**WHITE**	
	Current	**Target**	**Current**	**Target**	**Current**	**Target**	**Current**	**Target**
Top Management	2	0	1	0	0	0	1	0
Senior Management	6	0	1	0	1	0	0	0
Professional qualified	11	0	2	0	1	1	2	0
Skilled	13	0	2	0	2	0	4	0
Semi-skilled	4	0	1	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total Permanent	**36**	**0**	**7**	**0**	**4**	**1**	**7**	**0**
Temporary	37	0	0	0	0	0	0	0
TOTAL	**73**	**0**	**7**	**0**	**4**	**1**	**7**	**0**

Levels	Disabled Staff			
	Male		**Female**	
	Current	**Target**	**Current**	**Target**
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

PART E: FINANCIAL INFORMATION

17. STATEMENT OF RESPONSIBILITY

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2013

The Accounting Authority is responsible for the preparation of the public entity's annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2013.

The external auditors are engaged to express an independent opinion on the AFS of the public entity.

The Productivity SA annual financial statements for the year ended 31 March 2013 have been audited by the external auditors and their report is presented on page 67 to page 70.

The Annual Financial Statements of the public entity set out on page 71 to page 92 have been approved.

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Bheki Dlamini
CHIEF FINANCIAL OFFICER
Productivity SA
25 July 2013

18. REPORT OF THE CHIEF EXECUTIVE OFFICER

The current financial year has been better than the previous one in that a surplus of R2.112 million was posted and this reduced the existing accumulated deficit to R1.476 million. This was possible largely due to the increase in own-generated revenue that came from projects undertaken. The increase was phenomenal at 154%. Due to the existing accumulated deficit, a request will be made to Treasury so that the entity can keep the surplus made in the current year to use it to maintain operations and further reduce the accumulated deficit.

On the expenditure side, the entity has been prudent in that total expenditure increased marginally by 6%, which is in line with inflation. A large proportion of expenditure goes to the implementation of programmes and thereafter to the operational expenditures, chief of which are compensation to employees and rental of premises.

Funding remains a challenge as the entity's mandate is huge. The funding is not commensurate with the mandate and objectives of the entity.

Whilst the entity endeavours to comply with all legislation, notably the Public Preferential Procurement Act, there are challenges from the systems and personnel to deal effectively with supply chain management. The aforesaid challenges will be addressed by a proper purchase order system as well as a dedicated resource for supply chain management and related matters.

I would like to commend the staff and management of Productivity SA for their resilience and hard work through difficult times during the year. I also appreciate the support given by the various stakeholders that the entity interacts with.

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Bongani Coka
CHIEF EXECUTIVE OFFICER
Productivity SA
25July 2013

19. REPORT OF THE EXTERNAL AUDITOR

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON PRODUCTIVITY SA

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Productivity SA as set out on pages 71 to 92 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Productivity SA as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the performance information as set out on pages 18 to 37 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Usefulness of information

Consistency

Treasury Regulation 30.1.1 requires that the annual performance plan must be approved by the executive authority. Therefore, if the annual performance plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the executive authority. A total of 28% (>20%) of target reported in the annual performance report were changed in-year without approval by the executive authority. This was due to the entity not having a performance information policy in place to guide the entity as to which procedures to follow.

Additional matter

We draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

Of the total number of 64 targets planned for the year, 27 of targets were not achieved during the year under review. This represents 42% (>20%) of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Material adjustments to the report on predetermined objectives

Material audit adjustments in the annual performance report were identified during the audit, all of which were corrected by management.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Annual financial statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA. Material adjustments to fruitless, wasteful and irregular expenditure identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

The accounting authority did not take effective steps to prevent fruitless and wasteful expenditure, as required by section 51(1) (b) (ii) of the Public Finance Management Act.

Revenue Management

The accounting authority did not take effective and appropriate steps to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and 31.1.2(e).

Procurement and Contract Management

The procurement system/ processes did not comply with the requirements of a fair SCM system as per section 51(1) (a) (iii) of the PFMA, in that invitations for competitive bidding were not always advertised for a required minimum period of 21 days, as required by Treasury Regulations 16A6.3(c).

The procurement system/ processes did not comply with the requirements of a fair SCM system as per section 51(1) (a) (iii) of the PFMA, in that sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3 (b).

The procurement system/ processes did not comply with the requirements of a fair SCM system as per section 51(1) (a) (iii) of the PFMA, in that sufficient appropriate audit evidence could not be obtained that quotations were awarded to suppliers whose tax matters have been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

The procurement system/ processes did not comply with the requirements of a fair SCM system as per section 51(1) (a) (iii) of the PFMA, in that sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R500 000 were procured by means of obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Internal control

We considered internal control relevant to our audit of the financial statements, the annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

The leadership did not implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, a significant non-compliance issue was noted and material misstatements were identified.

Financial and performance management

The supply chain policy of the entity has not been amended to comply with the Preferential Procurement Policy Framework Act.

We noted that there are no documented and approved internal policies and procedures to address reporting processes pertaining to predetermined objectives.

Nexia SAB&T

Nexia SAB&T
Per: S. Kleovoulou
Director
Registered auditor
25 July 2013

20. ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Note	2013 R'000	2012 R'000
Assets			
Non-current assets		**1, 793**	**1, 584**
Property and equipment	2	677	646
Intangible assets	3	401	269
Trade and other receivables	4	715	669
Current assets		**5, 946**	**1, 775**
Trade and other receivables	4	5, 161	1, 023
Inventories	5	338	367
Cash and cash equivalents	6	447	385
TOTAL ASSETS		**7, 739**	**3, 359**
Liabilities			
Current liabilities			
Trade and other payables	7	5, 075	2, 873
Provisions	8	4,140	4, 073
TOTAL LIABILITIES		**9, 215**	**6, 946**
Net assets and liabilities			
Accumulated deficit		(1, 476)	(3, 588)
TOTAL NET ASSETS		**7, 739**	**3, 358**

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2013 R'000	2012 R'000
Revenue			
Non-exchange revenue		**73, 623**	**57, 453**
Transfers and subsidies	9	73, 623	57, 453
Exchange revenue		**6, 629**	**2, 613**
Sale of goods and rendering of services	10	6, 360	2, 063
Finance income	11	222	351
Other operating revenue		55	187
(Loss) / Profit on disposal of assets		(8)	12
		80, 252	**60, 066**
Expenditure			
Employment costs	12	(43, 586)	(35, 555)
General expenses	13	(33, 727)	(37, 208)
Repairs and maintenance		(303)	(361)
Finance costs	11	(5)	(72)
Depreciation / amortisation and impairment		(519)	(622)
		(78, 140)	**(73, 818)**
Surplus / (deficit) for the year		**2, 112**	**(13, 752)**

STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES

	Total net assets R'000
Balance at 31 March 2011	**10, 164**
Deficit for the year	(13, 752)
Balance at 31 March 2012	**(3, 588)**
Surplus for the year	2, 112
Balance at 31 March 2013	**(1, 476)**

STATEMENT OF CASHFLOWS

	Note	2013 R'000	2012 R'000
Cash flow from operating activities			
Receipts		**76, 077**	**59 658**
Sales of goods and services		2, 177	1, 668
Transfers and subsidies		71, 750	57, 233
Grants		1 873	221
Finance income	11	222	351
Other receipts		55	186
Payments		**(75, 324)**	**(70, 702)**
Employee costs		(43, 586)	(35, 555)
Suppliers		(31, 430)	(34,714)
Finance costs	11	(5)	(72)
Other payments		(303)	(361)
Net cash inflows / (outflows) from operating activities	14	**753**	**(11, 044)**
Cash flows from investing activities			
Purchase of assets	15	(691)	(739)
Net cash outflows from investing activities		**(691)**	**(739)**
Net increase / (decrease) in cash and cash equivalents		**62**	**(11, 783)**
Cash and cash equivalents at beginning of the year		385	12, 168
Cash and cash equivalents at end of the year	6	**447**	**385**

NOTES TO FINANTIAL STATEMENTS

1. Accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied with those applied in the preparation of the prior year annual financial statements unless otherwise stated.

1.1. Basis of presentation
The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (SA standards of GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The financial statements of the entity are presented on the historical cost basis except where stated otherwise...

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is required or permitted by a Standard of GRAP.

1.2. Currency
These financial statements are presented in South African Rand since it is the currency in which the majority of the entity's transactions are denominated.

1.3. Inventory
Inventory comprises of consumables held during the ordinary course of the business. Inventories are initially recognised at cost.

Where inventory is acquired by the entity for no or nominal consideration the cost is deemed to be equal to the fair value of the item on the date acquired.
Inventories, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.4. Property and Equipment
Items of property, and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

Subsequent to initial recognition, items of property and equipment are measured at cost less accumulated depreciation and impairment losses

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

The assets' residual values, useful lives and depreciation methods are not reviewed at each financial year-end.

The annual depreciation rates are based on the following estimated asset useful lives:

Computer equipment	3 years
Furniture and fittings	6 years
Library	3 years
Motor vehicles	5 years

The carrying amount of assets stated in the statement of financial position, other than inventories, are reviewed at each reporting date to determine whether or not there is any indication of impairment. If such indication exists, the recoverable amount of the assets is estimated as the higher of the net selling price and its value in use. An impairment loss is recognised in the statement of financial performance to the extent that the carrying amount of assets exceeds their recoverable amount.
Subsequent costs are recognised to the extent that future economic benefits associated with usage will flow to the entity.

Items of property and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5. Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method

The annual amortisation rates are based on the following estimated average asset useful lives:

Computer software 2 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6. Revenue

Revenue is recognised as follows:

1.6.1 Non-exchange revenue

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Government grants are recognized when there is reasonable assurance that:

- the entity will comply with conditions attached to them; and
- the grants will be received

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate.

1.6.2 Exchange revenue

Exchange revenue is made up of interest income, sales of goods and rendering of service and other operating revenue. Interest is recognised in profit or loss using the effective interest rate method. Sales of goods and rendering of service and other operating revenue are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:
a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.7. Retirement benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts

The entity operates defined contribution retirement benefit plans for its employees. Payments to defined contribution plan are charged as an expense as they fall due in the statement of financial performance and they represent the contribution paid to these plans by the entity at a rate specified by the entity's policy.

1.8. Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow that reflect current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions

1.9. Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred. The entity only has operating leases. Rental payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the relevant lease.
All operating lease contracts entered into by the entity contain market review clauses in the event that the Commission exercises its option to renew. The entity does not have an option to purchase the leased property at the expiry of the lease period.

1.10. Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the entity's statement of financial position when the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

The statement of financial position includes financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial. Where relevant, the particular recognition methods are disclosed in the individual policy statements associated with each item.

Measurement

Financial instruments are initially measured at fair value, which includes transactions costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The entity's principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables are measured at their fair value and subsequently at amortised cost being their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise balances with local banks and monies on call accounts that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in fair value. These are initially and subsequently measured at fair value.

Financial liabilities

The entity's principal financial liabilities comprise of provisions and trade and other payables.

Trade and other payables

Trade and other payables are measured initially at their fair value and subsequently at amortised cost.

Impairment of financial assets

The entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Trust about, amongst others, the following loss events:

(i) significant financial difficulty of the issuer or obligated party;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments; and

(iii) the granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.

Offsetting

The entity does not offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Derecognition
A financial asset or a portion thereof is derecognised when the entity realizes the contractual rights to the benefits specified in the contract, the rights expire, the entity surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the year.

1.11. Taxation
The entity is exempt from income tax in terms of section 10(1) (nC) of the Income Tax Act no 58 of 1962.

1.12. Budget
Budget information is disclosed in terms of GRAP 1 and 24 which requires that Productivity SA, in its general purpose financial reporting provide information whether resources were obtained and used in accordance with its legally adopted budget. This has been presented in note 21 of the annual financial statements.

1.13. Related parties
The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

a) normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
b) terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

1.14. Unauthorised expenditure
Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15. Fruitless and wasteful expenditure
Fruitless and wasteful expenditure means expenditure which was made in vain and could have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policies.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17. Short term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the statement of financial performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.18. **Impairment of cash/non-cash generating assets**

The recoverable amounts of cash-generating units and individual assets are to be determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that key assumptions may change which may then impact on our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets. The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

2. Property and equipment

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2013			
Library	178	(177)	1
Vehicles	158	(157)	1
Computer equipment	5, 663	(5, 244)	419
Furniture and fittings	4, 068	(3, 812)	256
	10, 067	**(9, 390)**	**677**
2012			
Library	178	(177)	1
Vehicles	158	(157)	1
Computer equipment	5, 221	(4, 781)	440
Furniture and fittings	4, 080	(3, 876)	205
	9, 637	**(8, 991)**	**646**

Reconciliation of property and equipment

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
2013					
Library	1	-	-	-	1
Vehicles	1	-	-	-	1
Computer equipment	440	248	(1)	(268)	419
Furniture and fittings	204	133	(13)	(68)	258
	646	**381**	**(14)**	**(336)**	**677**
2012					
Library	1	-	-	-	1
Vehicles	21	-	-	(20)	1
Computer equipment	489	353	-	(402)	440
Furniture and fittings	220	73	-	(89)	205
	731	**426**	**-**	**(511)**	**646**

3. Intangible assets

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
2013			
Computer software	2, 352	(1, 951)	401
2012			
Computer software	2, 037	(1, 768)	269

Reconciliation of intangible asset

	Opening carrying amount	Additions	Disposals	Depreciation	Closing carrying amount
2013					
Computer software	269	315	-	(183)	401
2012					
Computer software	55	325	-	(111)	269

	2013 R'000	2012 R'000
4. Trade and other receivables		
Non-Current		
Deposits and guarantees	715	669
Current		
Sundry debtors	3,651	866
Accruals	1,469	79
Other receivables	4	-
Advances	37	78
Total	**5, 161**	**1, 023**
5. Inventories		
Opening net carrying amount	367	285
Purchases	171	221
Inventory expensed	(200)	(139)
Consumables	**338**	**367**
Consumables comprise stationery and printing items		
6. Cash and cash equivalent		
Bank balances	206	98
Cash on hand	-	1
Call deposits	241	286
Total	**447**	**385**
There are no restrictions that have been placed on cash balances		

7. Trade and other payables

Sundry creditors	-	(1, 388)
Accruals	(4, 793)	(1, 174)
Operating lease liability	(270)	(286)
Other payables	(12)	(26)
Total	**(5, 075)**	**(2, 874)**

8. Provisions

Salary and related expense provision		
Opening balance	(1, 756)	(1, 604)
Utilisation of provision during the year	57	2, 098
Provisions made during the year	(231)	(2, 250)
Closing balance	**(1, 930)**	**(1, 756)**
Auditors remuneration		
Opening balance	(557)	(521)
Utilisation of provision during the year	557	439
Provisions made during the year	(412)	(475)
Closing balance	**(412)**	**(557)**
Deferred salary payments		
Opening balance	(560)	(420)
Utilisation of provision during the year	1,844	2, 103
Provisions made during the year	(1,882)	(2, 243)
Closing balance	**(598)**	**(560)**
Settlement provision		
Opening balance	(1, 200)	(980)
Utilisation of provision during the year	-	-
Provisions made during the year	-	(220)
Closing balance	**(1, 200)**	**(1, 200)**
Total provisions		
Opening balance	(4, 073)	(3, 525)
Utilisation of provision during the year	2, 458	4, 640
Provisions made during the year	(2, 525)	(5, 188)
Closing balance	**(4, 140)**	**(4, 073)**

9. Transfers and subsidies

Transfers and subsidies comprise of the following:		
Government grants	37, 050	34, 059
Projects funding :- Workplace Challenge	8, 200	8, 200
-Turnaround Solutions	26, 500	13, 674
-Other department / entities	1, 873	1, 720
Total	**73, 623**	**57, 453**

10. Sale of goods and rendering of services

Services rendered	5, 977	1, 770
Sale of goods	383	293
Total	**6, 360**	**2, 063**

11. Net finance income

Finance income	222	351
Finance costs	(5)	(72)
Net finance income	**217**	**279**

12. Compensation of employees

Salaries	(37, 632)	(30, 678)
Retirement benefits	(4, 754)	(3, 762)
Executive director's emoluments	(1, 200)	(1, 115)
Total	**(43, 586)**	**(35, 555)**

13. General expenses

	2013 R'000	**2012 R'000**
Audit fees	723	557
Bank charges	53	46
Bursaries	184	128
Communication	2, 405	2, 167
Consultation fee	98	151
Consumables	374	381
Entertainment	143	198
Insurance	180	186
Legal expenses	377	729
Membership fees	32	34
Printing and stationery	1, 680	1, 925
Professional fees	9, 594	13, 414
Promotions	3, 017	3, 408
Rental of buildings	5, 079	4, 619
Skills development levies	364	285
Stocks and material -	16	17
Subscription & publication	244	286
Training	329	753
Travel and subsistence - Local	5, 072	5,177
Travel and subsistence - Foreign	1	62
Other	2, 761	1, 573
Utilities	1, 001	1, 112
Total	**33, 727**	**37, 208**

14. Reconciliation of net cash flows from operating activities to surplus /(deficit)

Surplus / (deficit) for the year	2, 112	(13, 752)
Non cash movements:		
Depreciation	336	511
Amortisation	183	111
Loss/ (profit) on disposal of assets	8	(12)
Increase in provisions	67	548
	2, 706	**(12, 594)**
Movement in working capital	**(1, 951)**	**1, 550**
(Increase) / decrease in trade and other receivables	(4, 184)	(396)
Decrease / (increase) in inventory	29	(97)
Increase in trade and other payables	2, 202	2, 043
Net cash inflows / (outflows) from operating activities	**753**	**(11, 044)**

15. Cash flows from investing activities

Purchases of furniture and equipment	(133)	(73)
Purchases of computer hardware	(248)	(353)
Purchases of computer software	(315)	(325)
Proceeds on disposal of plant and equipment	5	12
	(691)	**(739)**

16. Taxation

No provision was made for taxation in the current financial year. The entity as an association not for gain of a public character qualifies for exemption in terms of section 10 (1) (cN) of the Income Tax Act no 58 of 1962, being a "public benefit entity" as defined.

The entity was granted exemption for VAT effective from July 2005 as its activities no longer comply with the definition of "enterprise" in section 1 of the VAT Act, and the requirement for VAT registration in terms of section 23 of the same Act. The entity is now included in the amended definition of public authority" in terms of section 1 of the VAT Act.

17. Related Parties

Related parties are made up of directors' emoluments.
The following payments were made to the directors of the entity during the year

2013		**R' 000**	
Non-Executive directors	**Meeting fees**	**Other benefits**	**Total**
Chairperson	36	5	41
Other members	51	7	58
Total Non-Executive directors	**87**	**12**	**99**
Executive Management	**Salaries**	**Other benefits**	**Total**
Chief Executive Officer	927	273	1, 200
Chief Financial Officer	749	136	885
Other Executive Management	4, 486	1, 504	5, 990
Total Executive Management	**6, 162**	**1, 913**	**8, 075**
Total	**6, 249**	**1, 925**	**8, 174**

2012	R' 000		
Non-Executive Management	**Meeting fees**	**Other benefits**	**Total**
Chairperson	61	6	67
Other members	75	11	86
Total Non-Executive Management	**136**	**17**	**153**
Executive Management	**Salaries**	**Other benefits**	**Total**
Chief Executive Officer	805	310	1, 115
Chief Financial Officer	141	22	163
Other Executive Management	4, 077	1, 363	5, 440
Total Executive Management	**5, 023**	**1, 695**	**6, 718**
Total	**5, 159**	**1, 712**	**6, 871**

Other benefits include travel and substance allowance, acting, insurance and cellphone allowances. There were no other related party transactions that required disclosure.

18. Operating Lease Commitments

The entity leases offices and photocopiers under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non- cancellable operating leases are as follows:

	2013 R'000	**2012 R'000**
Payable within 1 year	3, 571	3, 901
Payable after 1 year and thereafter	753	2, 659
Total	**4, 324**	**6, 560**

19. New accounting standards and interpretations pronouncements

The entity is required to include in its annual financial statements disclosure about the future impact of standards and interpretations issued but not yet effective at the issue date.

At the date of authorisation of the financial statements of the entity for the year ended 31 March 2013, the following standards and interpretations were in issue but not yet effective. These accounting standards and interpretations include the following that may have an impact on the financial statements in the future.

GRAP 18	Segment reporting
GRAP 20	Related party disclosure
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Merger

An entity shall apply standards of GRAP for annual financial statements covering periods beginning on or after a date determined by the Minister of Finance in a regulation to be published in accordance with section 91 (1)(b) of the PFMA. This date was yet to be published at the date of approval of these financial statements.

Management has assessed the impact of the above new standards of GRAP and believe that these are not expected to materially impact the financial statements of the entity.

20. Critical management assumptions and judgments

The entity makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the review of useful lives, residual values and impairment as highlighted in accounting policy 1.4. Actual results may differ from these estimates.
These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both the current and future periods.

21. Explanation of material difference between the final budget and actual

21.1 Reconciliation of budget deficit with net cash generated from operating and financing activities

	Operating	Investing	Total
Actual amount on comparable basis as presented in the budget and actual comparative statement	832	(767)	65
Timing differences	(79)	76	(3)
Actual amount in the cash flow	**753**	**(691)**	**62**

21.2 Statement of comparison of budget and actual amounts

	Approved Budget	Actual amounts on comparable basis	Difference between final budget and actual
Receipts			
Rendering of services	2,616	6,415	3,799
Investment revenue	372	222	(150)
Grant revenue	85,000	73,623	(11,377)
Total Receipts	**87,988**	**80,260**	**(7,728)**
Payments			
Employee costs	38,816	43,586	4,770
Operating expenses	659	519	(140)
Finance charges	76	5	71)
Other expenditure	48,437	34,038	(14,399)
Total Payments	**87,988**	**78,148**	**(9,840)**
Net receipts		**2,112**	**2,112**

Overall, actual receipts exceeded budget mainly due to own generated revenue. Although certain line items actual expenditure was more than budgeted, overall expenditure was below budget. This is attributable largely to limited funding to execute all objectives and meet targets.

22. Financial instruments

In the course of the entity's operations, it is exposed to interest rate, credit, liquidity and market risk. Details of the significant accounting policies and methods adopted (including criteria for recognition, basis of measurements and the basis of recognition of income and expenses) for each class of financial assets and financial liabilities are disclosed under note 1.10. The entity has developed comprehensive risk strategy in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under heading below.

22.1. Interest rate risk/ and categories of financial instruments

The entity manages its interest rate risk by fixing rates on surplus cash funds using short term fixed deposits. The entity's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

	Floating Rate R'000	Fixed Rate R'000	Non-Interest Bearing R'000	Total R'000
2013				
Assets				
Cash and cash equivalents	206	241	-	447
Other receivables	715	-	5,161	5, 876
Total financial assets	**921**	**241**	**5, 161**	**6, 323**
Liabilities				
Trade and other payables	-	-	(4, 805)	(4, 805)
Total liabilities	-	-	(4,805)	(4,805)
Net financial assets	**921**	**241**	**356**	**1, 518**

	Floating Rate R'000	Fixed Rate R'000	Non-Interest Bearing R'000	Total R'000
2012				
Assets				
Cash and cash equivalents	99	286	-	385
Other receivables	669	-	1, 023	1, 692
Total financial assets	**768**	**286**	**1, 023**	**2, 077**
Liabilities				
Trade and other payables	-	-	(2, 587)	(2, 587)
Total liabilities	-	-	(2,587)	(2, 587)
Net financial assets / (liabilities)	**768**	**286**	**(1, 564)**	**(570)**

22.2. Credit risk

Financial assets which potentially subject the entity to the risk of non-performance by counter-parties and thereby subject to credit concentrations of credit risk consist mainly of cash and cash equivalents and receivables from exchange transfers. There were no impairments.

	2013 R'000	2012 R'000
Not past due	3, 869	297
Past due 0 -30 days	1, 101	140
Past due 31 -60 days		54
Past due 61 -90 days		-
Over 90 days	191	532
Total	**5, 161**	**1, 023**

The entity manages/limits its treasury counter-party exposure by only dealing with well-established financial institutions.

22.3. Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained. Trade and other payables are as follows:

	2013 R'000	2012 R'000
Not later than one month	4, 793	1, 174
Later than 3 months and not later than 1 year	12	1, 413
Total	**4 805**	**2 587**

22.4. Market risk

The entity is exposed to fluctuations in the employment market. For example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the entity is aware of.

22.5. Fair values

The entity's financial instruments consist mainly of cash and cash equivalents and other receivables. No financial instrument was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short to medium term maturity of these financial assets.

Concentration of cash and cash equivalents

Concentration of cash deposits	Rating	2013 R'000	Rating	2012 R'000
Nedbank	F1+	447	F1+	385

Other receivables from exchange transactions

The carrying amount of other receivables from exchange transactions approximates fair value due to relatively short-term maturity of these financial assets.

23. Fruitless, wasteful and irregular expenditure

Expenditure through irregular and fruitless and wasteful expenditure

Fruitless and Wasteful expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines "fruitless and wasteful expenditure" as which was made in vain and would have been avoided had reasonable care been exercised;

Irregular expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended. No losses have been incurred as a result of the irregular expenditure identified

Fruitless and wasteful expenditure

	2013 R'000	2012 R'000
Opening balance	379	-
Fruitless and wasteful expenditure current year	514	379
Fruitless and wasteful expenditure condoned	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
Total	**893**	**379**

2013	**Action taken**	**Expenditure identified**	**Amounts ratified/ condoned**	**Remaining irregular expenditure**
Expenditure incurred in the current year	**R'000**	**R'000**	**R'000**	
Interest and penalties charged by SARS and suppliers for late payment resulting from insufficient funds at Productivity SA	Matters are in the process of being ratified.	514		**514**

2012	**Action taken**	**Expenditure identified**	**Amounts ratified/ condoned**	**Remaining irregular expenditure**
Expenditure incurred in the current year		**R'000**	**R'000**	**R'000**
During 2011/12 Productivity SA lost a legal case against Media Initiative resulting in fruitless expenditure of R379 000	Matters are in the process of for ratifications	379	-	**379**
		379	**-**	**379**

Irregular expenditure

	2013 R'000	2012 R'000
Opening balance	-	-
Irregular expenditure current year	1, 264	-
Irregular expenditure condoned	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	-	-
Total	**1, 264**	**0**

2013	**Action taken**	**Expenditure identified**	**Amounts ratified/ condoned**	**Remaining irregular expenditure**
Expenditure incurred in the current year		**R'000**	**R'000**	**R'000**
R1, 264 000 was incurred due to not using preferential point system 80/20 when evaluating certain suppliers for the awarding of jobs	Matters are in the process of being ratified.	1, 264		**1, 264**

2012	**Action taken**	**Expenditure identified**	**Amounts ratified/ condoned**	**Remaining irregular expenditure**
Expenditure incurred in the current year		**R'000**	**R'000**	**R'000**
None	None	-	**-**	**-**
		-	**-**	**-**

The entity is in the process of applying for the fruitless and wasteful expenditure to be condoned by the National Treasury.

24. Contingencies and commitments

Except for the operating lease commitments disclosed in note 18, there are no other contingencies and commitments as at 31 March 2013.